



IMPORTANT: Remind town residents they must register for disaster assistance no later than October 31, 2011 to be eligible for assistance, now and in the future, as it relates to Tropical Storm Irene. Register at www.DisasterAssistance.gov or call 1 (800) 621-FEMA.

September 22, 2011

MEMORANDUM

TO: Town Treasurers

FROM: Jeb Spaulding, Secretary of Administration
Beth Pearce, State Treasurer
Neal Lunderville, Irene Recovery Officer

RE: Update on Irene Recovery Package

The State of Vermont, along with business and community groups across the state, are working hard to provide assistance and fiscal options to Vermont's towns as each community addresses a range of financial challenges. This memorandum and accompanying resource materials are meant to inform you of recent assistance offerings that your town should be aware of. To that end, below is a list of recently announced financial assistance actions and loan offerings.

Advanced State Payments

Contact: Office of the State Treasurer, J.P. Isabelle, 828- 2301, opt. #4, Treasurers.Office@state.vt.us
To assist towns struggling with immediate cash flow needs, the state will advance payments of key state and federal programs. **Town highway funds** were delivered the week of September 19, instead of on October 15. **Current use payments** will be advanced the week of September 19, rather than on November 15. This is not new revenue, but faster disbursement. **Payments in lieu of taxes (PILOT)** also were advanced the week of September 19, rather than October 30. The goal is to ease the short-term cash needs of towns.

Local Bank Loans

Contact: Vermont Bankers Association, 229-0341, vtbanker@sover.net
Vermont's local banks will be offering short-term loans to communities in need.

Municipal Bond Bank Financing

Contact: Vermont Municipal Bond Bank, 654-7377, Bond-Bank@vtbondagency.org
The Vermont Municipal Bond Bank has initiated a program to assist towns with low-interest loans to finance response and recovery efforts. In the short term, the Bond Bank will provide stop-gap funding to local banks as needed and may provide direct loans in the future.

FEMA Community Disaster Loan (CDL)

Contact: Office of the State Treasurer, J.P. Isabelle, 828- 2301, opt. #4, Treasurers.Office@state.vt.us
The State of Vermont has requested that FEMA initiate its CDL program to assist towns with low-interest loans. Please contact the Treasurer's office to be put on the list to be reviewed by FEMA. An informational handout on the CDL program is attached.

Enclosures



Financing Tropical Storm Recovery Efforts

The Vermont Municipal Bond Bank (VMBB) recognizes that many municipalities and other governmental units are in need of financing to cover the immediate costs of infrastructure repair and other costs directly associated with disaster recovery, relief and mitigation.

Given the uncertainty related to the timing and amount of funds to be received from FEMA or private insurance, governmental units may want to consider working with local banks to issue Current Expense Notes (CENs), 24 V.S.A. §1786, structured as lines of credit, to cover the full amount of such costs.

The VMBB has been advised by J. Paul Giuliani of McKee Giuliani & Cleveland, PC that municipal bodies can issue CENs with local legislative approval and without the need of voter involvement and that while the CENs are limited to a one-year maturity, they can be renewed annually. The VMBB also has been advised that CEN interest can be capitalized and rolled over into the successive renewals.

Once FEMA funds and insurance proceeds, if any, are received, they may be applied to repay a portion of the CENs. Any balance can be repaid from other available funds or refinanced on a long-term basis, including through bonds of the VMBB. The VMBB has been advised by McKee Giuliani & Cleveland, PC that issuance of long-term refunding bonds to repay the CENs would not require voter approval, but like the initial issuance of CENs or renewals, would be subject only to local legislative approval. Subject to completion of the usual application process and other procedures and approvals, the VMBB is willing to issue such refunding bonds to refinance CENs.

The VMBB also is exploring the possibility of providing short-term financing in the event that the available capital from local banks is not sufficient to meet the disaster-related financing needs of municipalities and other governmental units in Vermont.

We hope this information helps. Please do not hesitate to contact the VMBB if you have any questions or need additional information.

We encourage you to seek the advice of your counsel on the specific legal questions related to issuance of CENs or refinancing bonds.

Thank you and good luck with your recovery efforts.



FEMA

DISASTER ASSISTANCE

FACT SHEET

Community Disaster Loan (CDL) Program

The Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services.

- The Stafford Act, Section 417, subparts 206.360 through 206.367, authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss of tax and other revenues as a result of a major disaster and which can demonstrate a need for Federal financial assistance in order to perform its governmental functions.
 - Local governments must show a substantial loss (greater than 5%) of tax and other revenues for the current or succeeding year as a result of a major disaster.
 - The maximum potential CDL amount is:
 - The lesser of, 25% of the operating budget of the local government for the fiscal year in which the disaster occurred; or the cumulative estimated revenue loss plus the projected unreimbursed disaster-related expenses for the FY of the disaster and the subsequent three fiscal years.
- OR
- 50% of the Applicant's Operating Budget for the FY of the disaster if estimated revenue loss for the FY of the disaster is at least 75% of the Applicant's Operating Budget for the FY of the disaster.
 - In either case the loan shall not exceed \$5 million.
 - The disaster must have adversely affected the level of essential municipal services previously provided.
 - State law must not prohibit local governments from incurring indebtedness resulting from a federal loan
 - Capital outlays and debt service (interest and principal) for capital items will be excluded in the calculation of the applicant's operating budget.
 - The term of the loan is five years, and can be extended to ten years, with the applicant selecting the payment schedule.

DISASTER ASSISTANCE

Community Disaster Loan (CDL) Program

- The interest is the rate for the five year maturities as determined by the Secretary of the Treasury on the date the promissory note is executed, adjusted to the nearest 1/8th percent.
- FEMA will execute a promissory note to the applicant co-signed by the state. If the state cannot legally co-sign the note, the local government must pledge collateral security. Funds will be dispersed in accordance with the terms of the note.
- Funds must be used to carry on existing local government functions of a municipal operation character, or to expand such essential functions to meet disaster-related needs.
- FEMA will provide technical assistance to expedite the application and approval process.
- To initiate the process, the local government should contact the Governor's Authorized Representative and request an evaluation for loan eligibility.

**FOR IMMEDIATE RELEASE
SEPTEMBER 20, 2011**

CONTACT: ALEX MACLEAN, 1-802-272-0443

Governor Shumlin Announces Additional Assistance Package for Towns

Montpelier, Vt., - Governor Shumlin was joined by Treasurer Beth Pearce and other state leaders today to announce an Irene recovery package for municipalities struggling with the effects of the tropical storm.

"We recognize that the disaster is putting a strain on local governments," said Governor Shumlin. "This assistance package will help ensure that they have the support they need to emerge stronger than before the storm hit."

The financial package includes:

\$24 million in advanced State payments: To assist towns struggling with immediate cash flow needs, the State will advance payments of key state and federal programs. \$6.2 million in town highway funds have been delivered this week instead of on October 15. \$12.3 million in Current Use payments will be advanced this week rather than on November 15. \$5.8 million in Payment in Lieu of Taxes (PILOT) payments will be delivered shortly, instead of by October 31. This is not new revenue to municipalities, but faster revenue, and will help ease short-term cash needs.

Local bank loans: Vermont's local banks will be offering loans to communities in need with favorable terms.

Municipal Bond Bank loans: The Municipal Bond Bank has initiated a program to assist towns with low-interest loans to finance response and recovery efforts. In the short term, the Bond Bank will provide stop-gap funding to local banks as needed and may provide direct loans in the future.

FEMA Community Disaster Loan (CDL): The State has requested that FEMA initiate its CDL program to assist towns with low-interest loans.

"The assistance we are announcing today will help the municipalities hard hit by Tropical Storm Irene," said Treasurer Beth Pearce. "This package provides a series of options for communities; they can opt for all, none or part of the options beginning with short-term financing all the way through long-term bonding. The banks are on the ground providing short-term financing and the State is advancing payments to municipalities to provide some relief for their short-term cash needs."

Towns are also struggling with the massive impact that Irene had on the municipal transportation infrastructure. During the first week of Irene Emergency Response Vermont officials at VTrans realized the extent of damage to local roads and mobilized additional resources to aid towns. VTrans reached out to the Regional Planning Commissions and the Vermont League of Cities and Towns for assistance. Vermont's 11 regional planning commissions (RPCs) formed a State Resource Coordination Center with the mission of helping towns with not only local highway recovery, but also other forms of storm-related assistance.

Regional Commission staff have been assessing damage to the local system and today report that Irene washed away more than 1950 local roadway segments, undermined more than 917 culverts, and damaged more than 200 bridges owned by municipalities. Today, 184 roads and 94 bridges, within the municipal system remain closed. The regional commissions launched their emergency efforts in coordination with VTrans with the goal of helping towns get the majority of their roads open, safe and passable by winter.

"The goal of our efforts is to work with towns face that continued stress and mobility challenges, and to help them get back on their feet and establish access through emergency repairs," said VTrans Secretary Brian Searles.

Road assistance for towns includes:

Unmet Emergency Needs Assessment: VTrans has asked towns to request assistance for any unmet emergency needs. Unmet emergency needs include closed bridges, failed roads, and impassable roads that need to be made safe and passable before winter. Towns should submit that information to the Regional Commissions as soon as possible and VTrans will work to coordinate additional resources to help towns.

VTrans has found that there is a shortage of bridge parts nationwide due to the tremendous need brought on by weather all over the country. To ensure that towns receive the temporary bridges they need before winter, VTrans will serve as a clearinghouse and source of information on bridge acquisition and a resource for ordering these structures and parts where needed.

VTrans and the RPCs will create and update town maps depicting open and closed town roads so the traveling public can plan accordingly. These maps are being used by customer service representatives at VTrans' Irene Storm Call Center, which can be reached at 1-800-VERMONT. They are also available to the general public at the agency's website at www.aot.state.vt.us. To view them, users should activate the "local roads and bridges" section of the Google map. Smart phone applications of the Google map are also accessible on the Vtrans website.

Associated General Contractors (AGC) Clearinghouse: AGC is coordinating Vermont contractors available to help towns repair damaged roads and bridges. This is the principal resource for towns that need outside contracting for rebuilding.

Public Assistance (PA) Teams: State & FEMA PA teams are on the ground assisting communities with paperwork needed to obtain reimbursement for FEMA-eligible costs.

"Vermonters have responded to this disaster with determination, tenacity and hard work," said Governor Shumlin. "It is in large part due to the indomitable spirit of Vermonters that our recovery is going so well. All recovery is local and this package will help ensure that our communities have the support they need."



FEMA



Implementation of the Traditional Community Disaster Loan (CDL) Program

Meeting Objectives



- To present an overview of the CDL Program
- To present the loan determination process
- To discuss the application procedures and financial data requirements
- To discuss loan maintenance requirements
- To address questions about the Program

What is a CDL?



A loan to local governments who have experienced a substantial loss in tax or other revenue due to a presidentially declared disaster which affects significantly and adversely the level and/or categories of essential municipal services provided prior to the disaster.

What's the maximum loan amount?



The lesser of...

- 25% of the Applicant's Operating Budget for the FY of the disaster, or
- The cumulative estimated revenue loss plus the projected unreimbursed disaster-related expenses for the FY of the disaster and the subsequent 3 FYs.

OR

- 50% of the Applicant's Operating Budget for the FY of the disaster if estimated revenue loss for the FY of the disaster is at least 75% of the Applicant's Operating Budget for the FY of the disaster.
- In either case the loan shall not exceed \$5 million.

What are the terms?



- Interest Rate: Rate for 5 year maturities as determined by the Secretary of the Treasury in effect on the date the Promissory Note is executed.
- Duration: 5 Year loan that may not normally exceed 10 years
- Use of Funds: Must be used to carry on existing local govt' functions of a municipal operation character or to expand such functions to meet disaster-related needs. Funds shall not be used to:
 - Finance capital improvement, repair or restore damaged public facilities, pay for non-Federal cost shares

What are the minimum eligibility requirements?



1. Located in the disaster-area
2. State law must not prohibit local govt' from incurring indebtedness from Federal loan
3. Loss of tax or other revenues due to disaster
4. Demonstrated need for financial assistance
5. Maintenance of an annual operating budget
6. Responsible to provide essential municipal operating services
7. Not in arrears with respect to any payments due on previous loans

What does “substantial loss” mean?



- Whether disaster caused a large enough reduction in cash receipts from normal revenue sources, excluding borrowing, which affects significantly and adversely the level and/or categories of essential municipal services provided prior to the disaster.
- Whether the disaster caused a revenue loss of over 5% of total revenue estimated for the FY in which the disaster occurred or for the succeeding FY.

What does “demonstrated need” mean?



- Whether there are sufficient funds to meet current FY operating requirements
- Whether there is availability of cash or other liquid assets from the prior FY
- Current financial condition considering projected expenditures for govt' services and availability of other financial resources
- Ability to obtain financial assistance or needed revenue from other State and other Federal Agencies for direct program expenditures

What does “demonstrated need” mean? Continued



- Displacement of revenue producing businesses due to property destruction
- Necessity to reduce or eliminate essential municipal services, and
- Danger of municipal insolvency

How is the “Operating Budget” defined?



- The document or documents approved by an appropriating body, which contains an estimate of proposed expenditures, other than capital outlays for fixed assets for a stated period of time, and the proposed means of financing the expenditures.
- The operating budget includes governmental, special revenue, and enterprise funds which perform basic operating functions of the government.

How is revenue loss calculated?



- Identify revenue sources that fund the core operations of the government, including sources from G.F., other governmental funds, special revenue or enterprise funds.
- Confirm that revenue sources appear to be ones that would be affected by the disaster
- Forecast revenues for 3 FYs following the FY of disaster using 3-5 years of historical data to establish the baseline
- Estimate post-disaster revenues
- Calculate difference between pre-disaster projection and post-disaster projection

How is the baseline established?



- Baseline: The baseline seeks to estimate what revenues may have been had the disaster not occurred. To calculate the baseline FEMA:
 - Analyzes 3- 5 preceding FYs of revenue data, plus the current FY's projection, to determine whether there's a trend.
 - If so, FEMA calculates an annual compound growth rate and carries it forward for the 3 FY following the FY of the disaster.
 - If not, FEMA takes the average value and carries it forward for the 3 FY's following the FY of the disaster
- If FEMA identifies that a significant revenue source was brought online during the 5 years preceding the disaster or there was a unusual loss during that time an adjustment may be made to the trend.

How are post-disaster projections made?



- Based on their professional judgment and understanding of the disaster's impact on revenues and professional judgment, applicant's financial/budget officials calculate the following 3 scenarios:
 - Best Case Scenario
 - Worst Case Scenario
 - Likely Scenario
- FEMA analyzes the various projections, along with other data, to determine whether it concurs with the likely scenario

What are unreimbursed disaster-related expenditures?



- These are disaster-related expenditures not covered by any other federal program or insurance. These include items such as...
 - Interest paid on money borrowed to pay amounts FEMA does not advance towards completion of approved Project Applications
 - Cost to the applicant for required flood insurance
 - Un-reimbursed cost for police and fire
- Costs excluded include:
 - Local cost share
 - Improvements to facilities damaged by the disaster

What are the next steps?



- Applicant Verbally expresses an interest to the GAR
- The GAR sends a letter to FEMA requesting CDL Program implementation
- FEMA assigns an accountant to work with each community that intends to apply, starting with the hardest impacted counties
- Applicant submits a letter to the GAR signed by the Chief Finance Officer and Budget Director officially requesting a loan and certifying that the applicant:
 - Meets the minimum eligibility requirements as previously outlined.
 - Has incurred substantial revenue loss in excess of 5% of total estimated revenue for the FY of the disaster or the succeeding FY

What are the next steps? Continued



- Applicant provides following documentation to accountant
 1. Adopted Op Budget for FY of disaster and any pre-disaster adopted modifications
 2. Pertinent state statutes, ordinances, or regulations which prescribe the local government's system of budgeting, accounting, financial reporting, including a description of each fund that is part of the Operating Budget
 3. The official annual reports (Revenue and Expense and Balance Sheet) for three FYs prior to the FY of the disaster, and the most recent interim financial statements for the FY of the disaster

What are the next steps? Continued



4. A description of the revenue sources that are part of the core operating business of the government
 5. Three to Five immediate past FY's or more of actual revenue, as reported in the official financial statements by revenue source
 6. Actual monthly revenues by revenue source for the FY of the disaster.
 7. Tax assessment information including assessment dates and the dates payments are due
- Applicant works with accountant to develop best case, worst case, likely scenario for post-disaster revenue projections

What are the next steps? Continued



- Accountant analyzes information to complete loan determination process
- Applicant reviews analysis and discusses any concerns with FEMA accountant
- Applicant submits letter to GAR requesting official loan amount attaching the completed Certificate of Eligibility and financial documentation.

What are the next steps? Continued



- GAR reviews request and forwards to FEMA with a recommendation and certification that:
 - Local government can legally assume indebtedness, and
 - Any proceeds will be used and accounted for in compliance with the FEMA-State Agreement

When will loan funds be received?



- Upon FEMA's approval, the Promissory Note must be signed by:
 - The applicant, and
 - Co-signed by the State
- If the State cannot co-sign, the applicant must pledge collateral
- On the Note, the applicant should indicate its funding requirements on the Schedule of Loan Increments

What are the loan requirements?



- Establish necessary accounting records, consistent with local government's financial management system to account for loan funds received and disbursed and to provide an audit trail.
- Establish a sinking fund to amortize the debt.
- Allow access to all federal and state auditors and program officials for the purpose of audits and examinations.
- Submit annual recent financial reports.
- Allow for re-evaluation of the loan, if requested.
- Notify FEMA of any changes to municipal official responsible for the Promissory Note.

What loan repayment rules apply?



- Pre-payments may be made without penalty
- Due and payable in accordance with Terms and Conditions of Promissory Note
- 5 year loan unless extended to 10 years by FEMA
- Interest accrues effective the date of its disbursement by the Treasury
- Interest computation is $I=P \times R \times T$
- Payment made applies to interest first, then principal
- Any costs incurred by the Federal Govt' in collecting Note will be added to unpaid balance of loan and accrue interest

What are the maintenance requirements?



- The federal government must maintain the CDL loans per 44 CFR, 206.375, *Loan Administration*
- In accordance with the intent of these requirements, two maintenance documents are required :
 1. Disbursement Request - completed with each request for disbursement
 2. Annual Financial Report - completed at the end of each of the applicant's FYs

Questions?



What are your questions?